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UNCLAS COLOMBO 001179

SIPDIS

SENSITIVE

DEPARTMENT FOR SCA/INSB  
DEPARTMENT FOR SCA/INS AND PRM  
STATE ALSO PASS TO USAID  
AID/W FOR ANE/SCA  
AID/W FOR DCHA to JBRAUSE  
AID/W FOR DCHA/FFP, OFDA, DG, OTI, CMM  
AID/W FOR EGAT/EG, ED, WID, PR  
AID/W FOR ODP/PSA

E.O. 12958: N/A

TAGS: [EAID](#) [PREL](#) [PHUM](#) [PREF](#) [ECON](#) [CE](#)

Ref: A) Colombo 1148; B) Colombo 1109

SUBJECT: Action Request for FY 2010 Funds for Northern Sri Lanka

1. (SBU) This is an action cable. Please see paragraphs 7-13.

2. (SBU) SUMMARY: The coming months offer a unique window of opportunity for the United States and other donors to assist the Government of Sri Lanka (GSL) in supporting peace and reconciliation through development and assistance programs for the North. In May 2009, the Government of Sri Lanka (GSL) declared victory over the terrorist organization the Liberation Tigers of Tamil Eelam (LTTE), a U.S.-designated Foreign Terrorist Organization. Few anticipated that the LTTE would be defeated militarily in 2009, or that the North would be open for post-conflict development and reconstruction assistance so quickly; therefore Post's original request for FY 2010 resources did not include funding for the North. Under current programming, no Development Assistance or Economic Support Funds (ESF) are available for the North until FY 2011. The opportunity is now: with this cable, Post requests an additional \$34 million in FY 2010 funds for Sri Lanka to enable timely assistance to meet immediate needs in the North. End Summary.

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Background  
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3. (SBU) Sri Lanka is in a period of post-war transition in the aftermath of its 26-year separatist conflict. Although the GSL won the war, it is not clear that they will address the underlying root causes of the conflict in order to win the peace. A successful resettlement, economic recovery, and development program would demonstrate to Sri Lanka's minorities, especially the Tamil community, that they have a far brighter future within a united Sri Lanka.

4. (SBU) The accelerated release of the nearly 300,000 internally displaced persons (IDPs) who were confined to closed camps (ref A) in the North creates new conditions for international assistance, with the focus shifting from short-term humanitarian needs to longer-term economic development. Based on USAID's experience in post-conflict assistance in the Eastern Province, Post assesses that the immediate priorities for the North include job creation and work force development; reconciliation, stabilization and governance programs; justice sector assistance; basic education support; and micro-enterprise programs.

5. (SBU) These programs would enable residents and returnees in the former LTTE-controlled areas of the country to benefit from and participate in the country's development. A timely response to these needs is critical to address reconciliation and meet Mission

objectives.

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Putting USAID Experience to Work  
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¶6. (U) Since 2003, USAID has invested more than \$45 million in programs in the Eastern Province which have helped to jump-start the economy in that post-conflict region (ref B). All of USAID's current programs focus on the Eastern Province and adjoining areas. USAID's track record of successful programs in areas such as private sector engagement, business partnerships, job creation, work force development, protection of human rights, conflict mitigation, governance, reintegration of ex-combatants, and infrastructure reconstruction programs could be applied to address the unique opportunity available now in the North.

¶7. (U) Action Request: Post requests that the Department and USAID provide \$34 million in FY 2010 Development Assistance or Economic Support Funds (ESF) and support the re-establishment of an OTI field office to meet the urgent requirements outlined in the paragraphs below. USAID's experience, network of community-based partners, relationships with local authorities, and track record of delivering rapid assistance in the conflict-affected and politically volatile areas of Sri Lanka puts USAID in a unique position among donors to respond to the post-conflict programmatic needs listed in priority order in the following paragraphs. To determine the funding request levels indicated below, USAID conducted a Mission review of the immediate and most strategic requirements in the North to assess the kinds of programs which would be most useful in addressing those needs, and then completed a broad analysis on the costs for each area inclusive of program and management costs.

¶8. (U) Job Creation and Work Force Development (\$12 million). The lack of economic means contributes to insecurity and destabilization. The long conflict in northern Sri Lanka severely degraded the workforce skills of the local population; for example, English language and IT skills are critically lacking in the North. Increased investment through the private sector is a prerequisite to creating job opportunities and enhancing economic security. USAID would use its experience in implementing public-private business partnerships to create sustainable jobs through a \$12 million program with indigenous companies in the North. Based on other private sector partnerships in Sri Lanka, Post expects that this new initiative would leverage an additional \$25 million from the private sector partners for the North; create 12,000 new jobs; and train 1200 young men and women to enter the current market place.

¶9. (U) Reconciliation and Stabilization (\$7 million). Many government functions are being re-established in the North. To mobilize and address post-conflict programming needs quickly, now is the time to re-establish a field presence for the Office of Transition Initiatives (OTI). A small-grants program managed by OTI could mobilize communities to address priority needs related to the return of displaced populations in collaboration with existing local government structures. Such a program would also lay the groundwork for longer-term initiatives. Possible activities include rehabilitation of small-scale infrastructure; livelihoods support; civil society development; and information dissemination and confidence-building measures to create and/or restore trust between conflict-affected individuals and communities. Funding at the requested level of \$7 million would leverage the establishment of the Office of Transition Initiatives or direct implementation of similar activities by the Mission.

¶10. (U) Justice Sector (\$3 million). An integral element in the stabilization of post-conflict regions is the establishment and presence of rule of law. In Sri Lanka's conflict, the behavior of paramilitary groups and the failure of law enforcement and legal processes resulted in generations of victims who sought "alternative" mechanisms to dispense justice. Legal processes must be perceived to be fair and just by all communities: a \$3 million program would support training on case management; judicial training; creation of a trilingual court system and strengthened youth courts; modernized and transparent administrative procedures; and improved technical skills of officials in areas such as human rights, conflict sensitivity, and combating gender-based violence.

¶11. (U) Governance (\$3 million). There is an immediate need to address key governance issues in northern Sri Lanka, including the capacity of provincial and municipal officials to deliver services and the resolution of land tenure issues for returning populations. A \$3 million program would enable us to build the capacity of local government officials and to assist with land rights and access issues which were central to the separatist conflict. A governance program in the North would enable Post to advocate for and support a national land policy for returnees, assist with modernized legal frameworks for resolving land disputes and documentation issues, and support a short-term alternative dispute mechanism to resolve land disputes in a timely manner.

¶12. (U) Basic Education (\$5 million). Many of the schools in the North were destroyed during the last phases of the war. The destruction of these schools and no integration of effort at the national level resulted in poorly trained teachers and a curriculum insufficient to meet the needs of students in the North. A \$5 million basic education program to address these needs would be positively received by the community and would support the reconciliation process. Elements of the program would include the rehabilitation of 12 primary schools; the implementation of teacher training; enhancement of computer skills for both teachers and students; and support for the development of a civic education curriculum.

¶13. (U) Microenterprise (\$4 million). Many people lost their livelihood means during the war but do not currently have the means to restart their businesses and access their lost resources. USAID would initiate a timely \$4 million community grants micro-enterprise program to support small businesses, and expects this program would enhance economic security and stability for the conflict-affected communities in northern Sri Lanka.

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Comment  
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¶14. (SBU) Post recognizes that there will be challenges to working in the North. It is in our interests to engage pro-actively and positively with Sri Lanka, given the political and economic dynamics of the region and the imperative to avoid a destabilizing return to armed conflict on the island. The end of the LTTE era provides the first opportunity in a quarter century for the GSL, USG, and other donors to address equity issues, both real and perceived, throughout the country among all the ethnic groups. The GSL will need substantial donor assistance to ensure that the development needs of the war-affected North are met. Providing early development assistance would serve as a force-multiplier in support of Mission reconciliation goals. We will continue to join other donors in stressing the importance of free and fair elections, political reconciliation, and improved human rights and accountability. We appreciate Washington's consideration. End Comment.

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